

**BY ORDER OF THE
SECRETARY OF THE AIR FORCE**

AIR FORCE INSTRUCTION 65-403

2 JUNE 1994



Financial Management

***FOLLOWUP ON INTERNAL AIR FORCE
AUDIT REPORTS***

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

NOTICE: This publication is available digitally on the SAF/AAD WWW site at: <http://afpubs.hq.af.mil>. If you lack access, contact your Publishing Distribution Office (PDO).

OPR: SAF/FMPF (Mrs Ann Cook)
Supersedes AFR 175-2, 29 May 1992.

Certified by: SAF/FMPF (Mr Vaughn E. Schlunz)
Pages: 22
Distribution: F

This instruction implements AFR 65-4, *Followup on Internal Air Force Audit Reports and Liaison With External Audit Organizations*. It provides guidance and procedures on the followup policies and responsibilities for deciding, monitoring, and closing findings and recommendations in internal Air Force audit reports. It implements Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, September 29, 1982; DoD Directive 7600.2, *Audit Policies*, February 2, 1991; DoD Directive 7650.3, *Followup on General Accounting Office, DoD Inspector General, and Internal Audit Reports*, September 5, 1989, with Changes 1 through 3. See attachment 1 for abbreviations, acronyms, and terms used in this instruction.

SUMMARY OF CHANGES

This is the first publication of AFI 65-403 and aligns with AFR 65-4.

Chapter 1

PROCEDURES

1.1. Followup Procedures. The Air Force followup program ensures that management promptly implements audit recommendations and corrects deficiencies.

1.1.1. Air Force managers and oversight organizations share responsibility for followup.

1.1.1.1. Secretariat, Air Staff, major command (MAJCOM), field operating agency (FOA), and direct reporting unit (DRU) managers monitor and document the progress and completion of agreed-on corrective actions.

1.1.1.2. Air Force auditors and perform independent on-site followup reviews.

1.1.2. The Air Force uses designated focal points to monitor, document, and maintain records of corrective actions and potential monetary benefits (PMB) realized on audit reports.

1.1.2.1. The Secretariat and Air Staff designate focal points to implement the followup program.

1.1.2.2. MAJCOMs, FOAs, and DRUs designate followup focal points within financial management organizations.

1.1.3. See DoD Directive 7650.3 for reporting requirements.

1.2. Procedures for Deciding Nonconcurrences. Managers must resolve nonconcurrences on audit findings, recommendations, and estimated PMB no later than 6 months after the final audit report date.

1.2.1. Send all disputed Air Force Audit Agency (AFAA) reports through Air Force channels for review by the Under Secretary, who serves as the Air Force resolution official.

1.2.2. The Under Secretary delegates nonconcurrency decisions on installation-level audit reports not related to financial matters to the Assistant Secretary of the Air Force (Financial Management and Comptroller) (SAF/FM).

1.2.3. SAF/FM delegates decisions on installation-level audit reports and monitoring responsibilities for management nonconcurrences to the Deputy Assistant Secretary/Plans, Systems, and Analysis (SAF/FMP).

1.3. Procedures for Responding to Audit Reports. Managers normally respond to AFAA audit reports no later than 30 days after the date of the draft report. To complete quick-reaction audit reports, managers must respond within the timeframe specified in the report.

1.3.1. Express explicit concurrence or nonconcurrency on each finding, recommendation, and estimated monetary benefit. If appropriate, include proposed alternative methods for accomplishing desired improvements.

1.3.2. Describe all completed or planned corrective actions. The responding manager provides:

- Dates of all completed actions.
- Estimated dates of completion for planned corrective actions.
- Suspense dates for the major phases of corrective actions that will require 1 year or more to complete.

- Estimated monetary benefits or other anticipated benefits.

1.3.3. AFAA doesn't require responses to final audit reports. For additional information on responding to AFAA audit reports, see AFI 65-301, *Audit Reporting Procedures*.

1.4. Air Force Supplements. Air Force activities, including activities responsible for Public Accountant Contract Audits of nonappropriated fund activities, supplement this AFI when necessary. Provide SAF/FMP with copies of all supplements. **NOTE:** Supplements may not change the procedures contained in this instruction.

Chapter 2

RESPONSIBILITIES

2.1. Under Secretary of the Air Force. Decides nonconcurrences between management and the AFAA that lower management levels can't resolve.

2.2. Assistant Secretary of the Air Force (Financial Management and Comptroller) (SAF/FM):

2.2.1. Serves as the Air Force followup official and oversees the followup program.

2.2.2. Delegates the execution of the followup program to SAF/FMP, including decisions on installation-level report nonconcurrences that don't involve financial matters.

2.3. Deputy Assistant Secretary/Plans, Systems, and Analysis (SAF/FMP):

2.3.1. Establishes the Air Force followup program and ensures the timely decision of management nonconcurrences.

2.3.2. Establishes guidance, procedures, and systems for implementing the followup program.

2.3.3. Works with Air Force organizations to mediate management nonconcurrences on AFAA audit report findings, recommendations, and estimated PMB within 6 months of the final audit report date. Submits undecided nonconcurrences to the Under Secretary for resolution.

2.3.4. Ensures that Air Force managers maintain a complete record of action taken on all Air Force-level and installation-level audit report findings, recommendations, and monetary benefits.

2.3.5. Requires each level of Air Force management to establish followup focal points who ensure that managers complete corrective actions and keep accurate followup status records.

2.3.6. Submits a RCS: DD-IG(SA)1574, *Followup Status Report*, semiannually to the Office of the Inspector General, Department of Defense (OIG, DoD), within 30 calendar days of the two 6-month reporting periods ending 31 March and 30 September. For a sample Followup Status Report, see attachment 2. For specific instructions on how to prepare the report, see attachment 3.

2.3.7. Serves as the Air Force focal point for all followup actions on GAO and OIG, DoD reports. **EXCEPTION:** SAF/IG handles OIG, DoD inspection reports.

2.3.8. Requests assistance from the Auditor General of the Air Force and Air Force Inspector General in performing the followup function.

2.3.9. Requires that the performance appraisals of appropriate managers reflect their degree of effectiveness in addressing audit findings and recommendations and implementing agreed-on corrective actions as required by OMB Circular A-50.

2.3.10. Delegates the day-to-day responsibility for monitoring and implementing the followup program to the Director for Audit Liaison and Followup (SAF/FMPF).

2.4. Director for Audit Liaison and Followup (SAF/FMPF):

2.4.1. Formulates policy and implements the Air Force followup program.

2.4.2. Monitors, reports, and documents management's corrective actions on Air Force-level audits.

2.4.3. Keeps AFAA advised of management's progress in completing agreed-on actions and documenting monetary benefits realized.

2.4.4. Sends tracking summaries to followup focal points at HQ USAF, MAJCOMs, FOAs, or DRUs during the first 10 days of the month following the estimated completion date for a corrective action.

2.4.5. Updates the status of corrective actions at 6-month intervals in cases where management needs more than 1 year to complete the agreed-on actions.

2.4.6. Evaluates Air Force management's corrective actions on agreed-on AFAA report recommendations and brings any discrepancies to the attention of senior Air Force management officials.

2.4.7. Determines when management has completed agreed-on corrective actions and realized monetary benefits.

2.4.8. Establishes and maintains the formal followup records for AFAA Air Force-level audits. Followup Air Force-level audit report followup records contain:

- The audit report.
- A signed copy of management's comments.
- The name of the OPR responsible for implementing the agreed-on corrective actions.
- The current status of management actions, including an explanation for delays in any planned corrective actions.

2.4.8.1. For audit reports documenting completed management actions, include management's explicit written and signed confirmation that all agreed-on corrective actions are complete (or that on-site verification indicates completed actions).

2.4.8.2. For audit reports documenting estimated PMB, include management's explicit written and signed confirmation that the monetary benefits were actually realized. Include references to official budget or accounting data or, if such data isn't feasible, an updated estimate and its rationale.

2.4.9. Identifies where management actions failed to correct reported deficiencies by reviewing:

- Managers' effectiveness-of-corrective-action reviews.
- Auditors' followup audits.

2.4.10. Ensures that management completes corrective actions on decided Air Force-level audit recommendations.

2.4.11. Supports the Air Force internal control program and brings material weaknesses in audit reports to the attention of the Air Force internal control focal point.

2.4.12. Performs oversight reviews of selected Secretariat, Air Staff, MAJCOM, FOA, and DRU followup programs. Oversight reviews focus on the systems established and the formal records maintained in monitoring and closing completed actions on audit report recommendations and monetary benefits.

2.4.13. Processes nonconcurrences by following these procedures:

2.4.13.1. Establishes and maintains formal records for Air Force-level and installation-level audit report nonconcurrences received from AFAA for decision.

2.4.13.2. Works with AFAA and management officials to mediate disagreements before their submission to SAF/FMP or SAF/US for decision. Requests Air Force General Counsel assistance if the disagreement involves a point or interpretation of law.

2.4.13.3. Documents agreements reached between AFAA and management on disputed issues decided to the mutual satisfaction of all parties. Prepares a memorandum detailing the agreed-on actions and estimated completion dates where subsequent actions are required.

2.4.13.4. Prepares the documentation for submitting undecided matters to SAF/FMP or SAF/US for decision. Includes these documents:

- A Decision Paper that includes a synopsis of both AFAA's and management's positions and the prospective rulings that the SAF/FMP or SAF/US can make to resolve the case.
- A Background Paper that provides a more detailed discussion of both AFAA's and management's positions. This document may contain a recommendation from the Audit Followup Official to the SAF/US.

2.4.13.5. Notifies AFAA and management of the SAF/FMP or SAF/US decision. For Air Force-level reports, begin followup on the terms of the decision. For installation-level reports, send the decision to designated MAJCOM, FOA, or DRU focal points for followup.

2.4.13.6. Reports unresolved nonconcurrences on AFAA Air Force-level audit reports that exceed the statutory 6-month resolution requirement to the OIG, DoD (RCS: DD-IG-(SA)1574).

2.5. Secretary of the Air Force and HQ USAF:

2.5.1. Ensure actions that management takes to implement audit report recommendations meet estimated completion dates and correct identified deficiencies.

2.5.2. Designate a followup focal point within each Secretariat or DCS organization to monitor and report the progress of corrective actions.

2.6. Secretariat and DCS Focal Points:

2.6.1. Receive and process tracking summaries from SAF/FMPF for all agreed-on audit recommendations addressed to that organization for action.

2.6.2. Send tracking summaries to the office responsible for initiating action and ensure the timely completion and supervisory approval of parts II, III, and IV of the tracking summary.

2.6.3. Review completed tracking summaries to determine their adequacy and report the status of corrective actions to SAF/FMPF. The report identifies summaries that require status updates until management completes all corrective actions and makes a followup assessment of how effective those actions have been in remedying deficiencies.

2.6.4. Ensure that management has documented realized monetary benefits before requesting that SAF/FMPF close the recommendation.

2.6.5. Maintain formal records (tracking summaries, budget excerpts, revised guidance, memorandums, and so on) on all organization audit recommendations along with explicit written confirmation that management has taken corrective actions.

2.7. MAJCOM, FOA, and DRU Commanders:

- 2.7.1. Ensure that agreed-on command actions on all Air Force-level and installation-level reports meet estimated completion dates and that managers correct deficiencies.
- 2.7.2. Ensure that management promptly processes nonconcurrences with audit report findings, recommendations, or PMB.
- 2.7.3. Designate a followup focal point within their financial management organization to implement their organization's followup and nonconcurrency decision program.

2.8. MAJCOM, FOA, and DRU Focal Points:

- 2.8.1. Receive all audit reports that AFAA issues to command elements and send the reports to the appropriate command organizations.
- 2.8.2. Establish guidelines to ensure that management monitors and completes corrective actions promptly. Notify command staff elements if the required actions affect command policy.
- 2.8.3. Receive and maintain tracking summaries from SAF/FMPF for all Air Force-level audit reports with agreed-on recommendations addressed to the MAJCOM, FOA, or DRU. Send the tracking summaries to the office responsible for initiating action and monitors the timely completion and supervisory approval of parts II, III, and IV.
- 2.8.4. Receive progress reports from the subordinate command followup focal point on the implementation status of installation-level report recommendations. Request that the subordinate command followup focal point provide extension requests and revised completion dates when management can't meet the initially projected completion dates.
- 2.8.5. Review management responses to installation-level report recommendations and determine when management has completed all corrective actions and realized their monetary benefits.
 - 2.8.5.1. Ensure that management provides explicit written confirmation and documentation that agreed-on corrective actions are complete and, if applicable, monetary benefits realized.
 - 2.8.5.2. Close installation-level recommendations after receiving written confirmation and document realized monetary benefits.
- 2.8.6. Notify the command OPR preparing the response if the actions that management plans or completes deviate from the current command policy, vary from agreed-on recommendations, or fail to remedy deficiencies.
- 2.8.7. Establish and maintain the formal followup records for AFAA installation-level audit reports. Installation-level audit report followup records contain:
 - The audit report.
 - A signed copy of management's comments.
 - The name of the OPR responsible for implementing the agreed-on corrective actions.
 - The status of management actions, including an explanation for any delays in planned corrective actions.

2.8.7.1. For audit reports documenting completed management actions, include management's explicit written and signed confirmation that all agreed-on corrective actions are complete (or that on-site verification indicates that actions are complete).

2.8.7.2. For audit reports documenting estimated PMB, include management's explicit written and signed confirmation that the monetary benefits were actually realized. Documentation should include references to official budget or accounting data or, if such data isn't feasible, an updated estimate and the rationale for that estimate.

2.8.8. Ensure that management completes actions on all installation-level audit recommendations, including those decided through auditor and management agreements or a SAF/FMP or SAF/US ruling.

2.8.9. Select significant audit recommendations and request one of these two followup reviews to ensure that management has corrected the identified deficiency:

- An OPR effectiveness-of-corrective-action review.
- An AFAA followup audit.

2.8.10. Submit an installation-level followup status report to SAF/FMP semiannually. (See attachment 4).

2.8.11. Serve as the normal liaison between the AFAA representatives and MAJCOM, FOA, and DRU management to ensure that they process installation-level audit report nonconcurrences promptly.

2.8.11.1. Mediate installation-level nonconcurrences by following these procedures:

- Prepare a formal management position on the mediation within 30 calendar days of receiving the nonconcurrency notification from the AFAA Area Audit Office Chief. Include specific management mediation proposals, if appropriate.
- Send the position to the local AFAA representative.
- Ensure that the AFAA representative receives notification of a MAJCOM, FOA, or DRU management nonconcurrency and their formal position within 30 calendar days from the date of the audit report.
- Keep MAJCOM, FOA, DRU, and subordinate command management officials informed on the status of deciding disputed audit findings, recommendations, and PMB.

2.9. Unit Commanders:

2.9.1. Ensure that management takes agreed-on corrective actions on all audit reports to meet projection dates and eliminate deficiencies.

2.9.2. Designate a subordinate command followup focal point.

2.10. Subordinate Level-Command Focal Points:

2.10.1. Serve as the point of contact for receiving and distributing all installation-level reports to the proper staff offices for action.

2.10.2. Review management responses to audit reports to ensure that the responses are accurate and timely. Request assistance from the appropriate AFAA audit office when necessary.

2.10.3. Establish records for all installation-level report recommendations and monitor their status until implemented. **NOTE:** The MAJCOM, FOA, or DRU followup focal point maintains the formal followup records.

2.10.4. Provide progress reports to the MAJCOM, FOA, or DRU followup focal point and the responsible AFAA area audit office. Progress reports describe the status of installation-level report recommendations due for implementation.

2.10.4.1. Report extension requests and revised completion dates when management can't meet the initial estimated completion dates for corrective actions.

2.10.5. Recommend closing an audit recommendation or PMB after management completes all corrective actions and documents actual monetary benefits. Give the MAJCOM, FOA, or DRU followup focal point explicit written confirmation and documentation from management.

2.10.6. Request that the responsible management official send written notification to the appropriate accounting and finance office to establish accounts receivable when management agrees that amounts identified in an audit are due the Air Force.

2.10.7. Send information about installation-level report nonconcurrences to the MAJCOM, FOA, or DRU audit focal points in a timely manner.

2.11. Management OPRs:

2.11.1. Ensure that management implements audit recommendations at all Air Force levels.

2.11.2. Ensure that all corrective actions meet projected completion dates and eliminate agreed-on deficiencies.

2.11.3. Submit periodic status reports to the followup focal point on management's progress in implementing audit recommendations.

2.11.4. Provide the followup focal point with explicit written and signed confirmation that management has completed all agreed-on corrective actions and, where applicable, document the monetary benefits actually realized.

2.11.5. Assess the effectiveness of management's corrective actions specified in Air Force-level or installation-level reports (when requested from the followup focal point). The OPR may appoint a knowledgeable individual to carry out the assessment, provided that the appointed member didn't help to implement the closed actions. This assessment is normally performed within 120 days after management completes the corrective actions.

2.12. Air Force Audit Agency (AFAA):

2.12.1. Provides SAF/FMPF with tracking summaries for Air Force-level audit reports.

2.12.2. Reviews updated tracking summaries to determine the responsiveness of management's actions.

2.12.3. Selects significant Air Force-level and installation-level audit report recommendations for independent on-site followup review.

2.12.4. Processes audit nonconcurrences and refers nonconcurrences to SAF/FMPF for further processing when necessary.

2.13. SAF/AGA:

- 2.13.1. Serves as the liaison between the AFAA and the Secretariat and Air Staff.
- 2.13.2. Processes and takes appropriate measures to mediate installation-level nonconcurrences that activities can't decide at the MAJCOM, FOA, or DRU levels.
- 2.13.3. Obtains either a Secretariat or Air Staff position or mediates an agreement on the undecided issues no later than 120 days after the date of the audit report.
- 2.13.4. Formally transmits undecided findings, recommendations, or PMBs to SAF/FMPF for processing. Includes:
 - The final audit report with any associated Summary of Audit Results statements.
 - For installation-level report nonconcurrences, a transmittal memorandum with a summary of SAF/AGA's mediation efforts, a list of the management officials with whom SAF/AGA consulted during the mediation, a summary of the unresolved issues, and the final management and audit positions.

2.14. AFAA Associate Directors:

- 2.14.1. Prepare a tracking summary for each recommendation contained in an Air Force-level audit report.
- 2.14.2. Assist SAF/FMPF and review updated tracking summaries to assess the responsiveness and timeliness of management's actions.
- 2.14.3. Direct an independent, selective followup of Air Force-level audit reports to ensure that management has corrected deficiencies as reported and has achieved the maximum monetary benefits.
- 2.14.4. Report the results of the followup effort.
- 2.14.5. Verify the PMB that management actually realizes as a result of their completed corrective actions.
- 2.14.6. Provide SAF/FMPF with technical assistance in nonconcurrence mediations and decisions.

2.15. AFAA MAJCOM, FOA, and DRU Representatives:

- 2.15.1. Provide liaison with appropriate followup focal points.
- 2.15.2. Attempt to mediate installation-level report nonconcurrences with the appropriate management officials.
- 2.15.3. Send nonconcurrences to SAF/AGA for mediation with Secretariat or Air Staff officials if unable to mediate an agreement within 90 days after the date of the audit report. Nonconcurrence packages include:
 - A copy of the audit report with signed management comments.
 - A memorandum containing a summary of the mediation, a list of the management officials with whom representatives consulted during the mediation, a summary of the unresolved issues, and the final management and audit positions.

2.16. AFAA Area Audit Office Chiefs:

2.16.1. Assist followup focal points in determining the adequacy and timeliness of OPR actions taken to implement agreed-on installation-level audit recommendations.

2.16.2. Perform independent, selective followup of installation-level reports to ensure that management has corrected deficiencies as reported and realized the maximum monetary benefits.

2.16.3. Ensure that nonconcurrences contained in installation-level audit reports are elevated to the AFAA MAJCOM, FOA, or DRU representatives in a timely manner.

2.17. HQ AFAA/DO:

2.17.1. Provides SAF/FMPF with copies of each Air Force-level audit report. These reports include:

- A signed copy of management's comments to the audit report.
- All Summary of Audit Results statements.
- Tracking summaries for each recommendation.

2.17.2. Prepares and sends to SAF/FMPF followup tracking summaries for SAF/AGA-mediated installation-level report nonconcurrences that require Air Force Secretariat or Air Staff action.

NOTE: SAF/FMPF tracks agreed-on management actions after receiving AFAA/DO's tracking summaries.

2.17.3. Assists SAF/FMPF in preparing the Air Force RCS: DD-IG(SA)1574 report and provides requested information on installation-level and Air Force-level audit reports.

JOHN W. BEACH

Principal Deputy Assistant Secretary of the Air Force
(Financial Management)

Attachment 1

GLOSSARY OF ABBREVIATIONS, ACRONYMS, AND TERMS

Abbreviations and Acronyms

AFAA—Air Force Audit Agency

DoD—Department of Defense

DRU—Direct Reporting Unit

FOA—Field Operating Agency

MAJCOM—Major Command

OIG—Office of the Inspector General

OMB—Office of Management and Budget

OPR—Office of Primary Responsibility

PMB—Potential Monetary Benefit

Terms

Agreed-On Recommendation—A recommendation for management action that the cognizant manager explicitly approves (concurs with) and incorporates into program plans.

Closed Recommendation—The status of a recommendation when cognizant managers give explicit written confirmation that management has completed all corrective actions or received on-site verification for completed actions. Followup files must contain all confirmation documents. Authorized officials may not close audit recommendations until management completes all corrective actions and documents realized monetary benefits.

Decided—The status when an agreement reached between management and auditors on previously undecided (nonconcurred with) findings, recommendations, or monetary benefits or a decision made by a senior Air Force official to resolve a disagreement. This definition applies to Air Force-level and installation-level audit reports.

Decision Process—The process that management and auditors use to reach agreement on undecided findings, recommendations, or monetary benefits. Representatives must decide all nonconcurrences within 6 months of the date of the audit report.

Disallowed Cost—A questioned cost that management decides or agrees not to charge to the government. (This term is applicable only to incurred cost audits such as those about defective pricing on defense contracts.)

Final Action—The completion of all agreed-on management actions that implement recommendations in an audit report. If management concludes no action is necessary, final action occurs following a management decision. Management must document actual realized monetary benefits for any completed action.

Finding—As defined in the US Comptroller General's *Government Auditing Standards*, a statement made on the basis of analyzed or evaluated information about an organization, program, activity, function,

condition, or other auditing matter. Inspection organizations may refer to findings as "observations."

Followup Focal Point—An Air Force management-level representative designated to assist the followup official in implementing the followup program. Normally, this representative also serves as the focal point for processing audit announcements, draft reports, management comments, and so on.

Followup Program—A program ensuring that management implements agreed-on audit recommendations, corrects agreed-on deficiencies and, if applicable, documents realized monetary benefits. The followup program officially begins when the audit is published and ends when management gives explicit written confirmation that the corrective action or on-site verification is complete.

Followup Records—Audit report records that document the status and completion of management actions and the PMB that management either realizes or estimates will accrue from implementing the recommendation.

Funds Put to Better Use—The financial impact of an audit recommendation. Funds that organizations could use more efficiently if management takes action to implement and complete an audit recommendation. The vast majority of potential monetary benefits resulting from internal audit fall into this category. Examples:

- Reducing outlays.
- Deobligating funds from programs or operations.
- Withdrawing interest subsidy costs on loans or loan guarantees, insurance, or bonds.
- Implementing recommended cost-saving improvements related to operations of the establishment, a contractor, or grantee.
- Avoiding unnecessary expenditures noted in preaward reviews of contract or grant agreements.
- Gaining any other specifically identified savings. Calculate these savings on the basis of statistical projections, when appropriate.

Management Response—Management comments (concurrence or nonconcurrence) and planned actions on the findings, recommendations, and monetary benefits included in an audit report.

Monetary Benefits—Questioned costs or funds put to better use.

Open Recommendation—Agreed-on audit-report recommendations that management hasn't implemented or documented for realized monetary benefits.

Questioned Cost—An incurred cost the auditors question because of any of these findings:

- An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
- Inadequate documentation at the time of the audit.
- Unnecessary or unreasonable expenditure of funds for the intended purpose. (Applies only to incurred cost audits such as those about defective pricing on defense contracts.)

RCS: DD-IG(SA)1574, Followup Status Report—A report submitted semiannually to the OIG, DoD containing statistical information or AFAA Air Force-level audit reports.

Realized Monetary Benefits—The measurable and documented amount of monetary benefits actually achieved after the cognizant manager has completed corrective actions. Documentation normally includes references to official budget and accounting data. If such documentation isn't feasible, managers

may use an updated estimate and its rationale as support for the realized amount. Management considers monetary benefits that are associated with specific recommendations as closed (actually realized) after the cognizant manager completes the related corrective actions and furnishes explicit written confirmation of the amount actually realized.

Subordinate Command Level—All levels below the commander of a MAJCOM, FOA, or DRU that receive audit reports.

Tracking Summary—An AFAA-prepared document that SAF/FMPF uses for tracking and documenting management's completed recommendations and realized monetary benefits on Air Force-level audit reports. The tracking summary also documents management's reasons for not meeting estimated completion dates and, when necessary, establishes a revised completion date.

Undecided—The status of final audit findings, recommendations, or estimated PMB when management hasn't commented on or concurred with the audit report or when audit officials don't agree with the management position. Designated managers, auditors, and senior officials must decide all issues within 6 months of the date of the audit report.

Attachment 2

SAMPLE RCS: DD-IG(SA)1574, FOLLOWUP STATUS REPORT

PART I

AIR FORCE FOLLOWUP OFFICIAL'S NARRATIVE SUMMARY

- A2.1.** Assess the overall status of the Air Force followup effort during the period.
- A2.2.** Explain what measures management has taken to ensure (through on-site verification or other measures) that followup officials identify deficiencies in corrective actions.
- A2.3.** Discuss any systemic followup weaknesses that the program uncovered during the report period and explain how management plans to correct the problems.
- A2.4.** List all Air Force-level AFAA reports issued during the report period, indicating each report's number, title, date of issue, and quantifiable monetary benefits estimates. Identify classified reports with an asterisk (*) after the report number.
- A2.5.** List all Air Force-level audit reports over 18 months old from date of issue on which management hasn't completed final action, indicating each report's number, title, date of issue, agreed-on monetary benefits not yet achieved, and the reasons why the actions are incomplete.
- A2.6.** Give three to five examples of particularly noteworthy management actions completed during the report period for possible inclusion in the IG, DoD semiannual report to the Congress and the Secretary of Defense.

FOLLOWUP STATUS REPORT

RCS: DD-IG(SA)1574

Reporting Activity: ASSISTANT SECRETARY OF THE AIR FORCE

For Period Ending:

FINANCIAL MANAGEMENT & COMPTROLLER
ASSISTANT FOR AUDIT LIAISON & FOLLOWUPDate of Transmittal:
Point of Contact:
Phone (DSN) Number:**PART II****STATUS OF MANAGEMENT DECISIONS ON AIR FORCE-LEVEL REPORTS**

Undecided Beginning of Period Number Monetary Benefits	Issued During Period Number Monetary Benefits	Decided During Period Number Monetary Benefits Agreed	Disagreed	Undecided End of Period Number Monetary Benefits
Reports _____1	_____1	_____2	_____3	_____1

NOTES:

1. Enter the quantifiable monetary benefit estimates claimed by the auditors.
2. Enter the quantifiable monetary benefit estimates specifically accepted by management.
3. Enter the difference between monetary benefits estimated claimed by auditors and estimates specifically accepted by management for decided reports.

PART III**AIR FORCE-LEVEL REPORTS THAT REMAIN UNDECIDED****ISSUED BEFORE THE REPORTING PERIOD**

Report Number, Title, And Report Date	Explanation of the Reasons a Management Decision Has Not Been Made	Quantifiable Monetary Benefits Estimated by the Auditors	Timetable for Achieving Management Decision
_____	_____	_____	_____

PART IV**STATUS OF MANAGEMENT ACTION ON AIR FORCE-LEVEL REPORTS**

Action in Progress Beginning of Period Number Monetary Benefits	Decided During Period Number Monetary Benefits	Action Completed During Period Number Monetary Benefits	Action in Progress End of Period Number Monetary Benefits
Reports _____	_____	_____	_____
Recommendations _____1	_____1	_____2	_____1

NOTES:

1. Enter quantifiable monetary benefit estimates specifically agreed to by management.
2. Enter monetary benefits reported as completed (achieved) only after cognizant managers have completed the related corrective action and furnished confirmation, including documentation such as references to official budget or accounting data. If such documentation is not feasible, an updated estimate and the rationale for that estimate.

Attachment 3

INSTRUCTIONS FOR PREPARING RCS: DD-IG(SA)1574, FOLLOWUP STATUS REPORT, SUBMISSION FOR AIR FORCE-LEVEL AUDIT REPORTS

A3.1. Summary. The Air Force RCS: DD-IG(SA)1574 only contains the status of Air Force-level audit reports.

A3.1.1. AFAA and the SAF/FMPF staff develop input for preparing parts I, II, and III.

A3.1.2. SAF/FMPF develops part IV primarily from their computerized data base.

A3.1.3. SAF/FMPF consolidates all input into the overall Air Force report.

A3.2. Air Force Followup Official's Narrative Summary:

A3.2.1. Assessment of the Overall Status of the Air Force Followup Effort. Give a recap of the followup results or major accomplishments during the reporting period. You may glean some of this information from the data in parts II through IV. Address these specific issues:

- The standing of SAF/FMPF at the beginning of the reporting period.
- The accomplishments of the followup program during the reporting period.
- The goals of followup program for the next reporting period.
- The projected capability of the followup program to accomplish its mission.

A3.2.2. Explanation of Verification Measures to Identify Corrective Action Deficiencies. Discuss the verification efforts that management performed during the reporting period to ensure that audit followup focal points and management OPRs are monitoring and completing agreed-on actions. Include:

- SAF/FM's on-site verification efforts.
- AFAA followup audits.
- Secretariat, Air Staff, MAJCOM, FOA, and DRU internal verification efforts.
- Air Force Inspector General verification efforts.
- Any creative or unique measures undertaken during the reporting period.

A3.2.3. Discussion of Any Systemic Followup Weaknesses and Corrective Actions. Describe any significant weaknesses in Air Force management or operations that the followup program uncovers. Address any generic problems or issues that could affect the overall success of the Air Force followup program (for example, personnel or organizational changes). In general, discuss only significant items in this section. Be sure to describe how management has addressed or intends to eliminate each weakness.

A3.2.4. Listing of Air Force-level Audit Reports. List the key data for Air Force-level audit reports issued during the reporting period. Send the listing to the OIG, DoD by 15 April and 15 October of each year. Include:

- Each report's full title.
- Dates of issue.
- Quantifiable auditor estimated monetary benefits.

A3.2.5. List of Air Force-Level Audit Reports Over 18 Months Old (From Date of Issue)

With Uncompleted Actions. List the key data for Air Force-level audit reports with decided issues that management hasn't fully implemented 18 months after the date of the report. Identify one of these reasons why the actions remain incomplete:

- Long-term corrective action on schedule.
- Management action slipped significantly from originally estimated completion date.
- Formal administrative or judicial appeal.

A3.2.5.1. 3.2.5.1. Consider any report that has incomplete recommendations "open" for this analysis. If recommendations in a single report have more than one explanation for the incomplete actions, include each explanation.

A3.2.6. Examples of Particularly Noteworthy Management Actions. Provide a short synopsis of three to five audit reports where completed management actions will have a significant impact on the economy, efficiency, or effectiveness of Air Force operations. Take these examples from management actions completed on Air Force-level reports only.

A3.3. Status of Management Decisions on Internal Audit Reports:

A3.3.1. Undecided--Beginning of Period. Represents the total Air Force-level audit reports, including those with quantifiable auditor estimated monetary benefits, on which management and audit have undecided issues as of 1 April or 1 October each year. Include all findings, recommendations, or monetary benefit estimates that are in the nonconcurrence resolution process as final audit reports. Don't include draft audit reports on which AFSA is awaiting management comments, even if management has exceeded the allowable timeframes for responding to the draft report. Final audit reports that don't include management comments are considered undecided.

A3.3.2. Issued During Period. Represents the total number of Air Force-level reports, including those with quantifiable auditor estimated monetary benefits, issued during the reporting period. Include only final audit reports or "clear" reports (reports without any findings or recommendations). **NOTE:** The data in this column must be the same as the figures entered in part I, subparagraph d.

A3.3.3. Decided During Period. Enter the total number of Air Force-level audit reports on which all issues were decided and resolved during the reporting period. "Clear" reports are decided during the period they are issued.

A3.3.3.1. Present any monetary benefits decided during the period in one of two columns:

- Quantifiable monetary benefit estimates specifically accepted by management.
- The difference between monetary benefit estimates claimed by auditors and those specifically accepted by management for decided reports.

NOTE:

For Air Force-level audit reports, the "Number" of reports and the amount in "Monetary Benefits Agreed" must be the same as the amounts in part IV, "Decided During Period."

A3.3.3.2. Reports decided during this reporting period may include those that auditors issued within the current 6-month period or carried forward from a prior period. When the audit decision

process is complete, report the status of followup actions on decided recommendations and specifically agreed-on monetary benefit estimates in part IV.

A3.3.4. Undecided--End of Period. Give the total number of Air Force-level audit reports, including those with quantifiable auditor estimated monetary benefits, on which management and audit have undecided issues as of 31 March or 30 September of each year. Include all findings, recommendations, or monetary benefit estimates that remain in mediation. Be sure to also include any reports that you previously entered in the "Undecided--Beginning of Period" column in part III. **NOTE:** The totals of the "Number of Reports" and "Monetary Benefits" columns for "Undecided--Beginning of Period" and "Issued During Period" must equal the totals of the corresponding columns for "Decided During Period" (both "Agreed" and "Disagreed" columns) and "Undecided--End of Period".

A3.4. Internal Audit Reports That Remain Undecided Issued Prior to the Reporting Period:

A3.4.1. General Guidelines. List detailed information for Air Force-level audit reports where disagreements between management and auditors remain undecided within the statutory 6-month timeframe (audit reports with issue dates in the current reporting period that are still "open" at the end of the period). **NOTE:** Be sure to also include these reports in part II, "Undecided--Beginning of Period" and "Undecided--End of Period."

A3.4.2. Report Number, Title, and Report Date. Self-explanatory.

A3.4.3. Explanation of the Reasons a Management Decision Has Not Been Made. Specifically explain why management and auditors couldn't reach an agreement within the 6-month timeframe and why they didn't elevate the report disagreement to either SAF/FM or the Under Secretary for resolution. You may quote the mediation's supporting data verbatim if it clearly explains why representatives couldn't decide the issue within 6 months.

A3.4.4. Quantifiable Monetary Benefits Estimated by the Auditors. Self-explanatory.

A3.4.5. Timetable for Achieving Management Decision. Report a firm date for reaching a final management decision or resolution. If the timetable entails a sequence of events, give interim dates for completing each step in the decision or mediation process.

A3.5. Status of Management Action on Air Force-Level Reports:

A3.5.1. Action In Progress--Beginning of Period. Enter the total Air Force-level audit reports, recommendations, and related potential monetary benefits on which management actions are decided but not complete as of 1 April or 1 October of each year. Only include quantifiable monetary benefits specifically accepted by management. Reports remain open until management fully implements all recommendations and documents the monetary benefits actually realized. **NOTE:** This column should be identical to "Action in Progress--End of Period" for the preceding reporting period.

A3.5.2. Decided During Period. Enter the total of all Air Force-level audit reports dated during the 6-month period covered by the status report and the total decided recommendations related to those reports. Include only quantifiable monetary benefits specifically accepted by management. **NOTE:** The figures for "Reports--Number" and "Monetary Benefits" should be the same as those figures for Air Force-level audits in part II, "Decided During Period--Number" and "Monetary Benefits Agreed."

A3.5.3. Action Completed--During Period. Enter the Air Force-level audit reports and recommendations on which all decided management actions were completed during the 6-month period covered

by the status report. Include completed actions on audit reports issued either within the current 6-month reporting period or carried forward from an earlier period. Reports remain open until management has implemented and documented all recommendations.

A3.5.3.1. Enter figures in the "Monetary Benefits" column only after cognizant managers have completed and confirmed the corrective actions and documented the benefits actually realized. Include references to official budget or accounting data or, if the data isn't available, an updated estimate and its rationale. A report and recommendation with estimated monetary benefits specifically accepted by management remains open until management has documented the monetary benefit actually realized, even if management has implemented the recommendation.

A3.5.4. Action in Progress--End of Period. Enter the total Air Force-level audit reports and related recommendations on which decided, agreed-on management actions remain incomplete (not fully implemented) as of 31 March or 30 September of each year. The "Monetary Benefits" column must represent a quantifiable monetary benefit estimate specifically accepted by management and associated with a recommendation on which management actions are not yet fully implemented. Don't calculate this column by adding the totals of the other columns in this part of the status report.

Attachment 4

INSTRUCTIONS FOR PREPARING RCS: DD-IG(SA)1574, *FOLLOWUP STATUS REPORT*, SUBMISSION FOR INSTALLATION-LEVEL AUDIT REPORTS

A4.1. Summary. This Followup Status Report documents the status of AFAA installation-level audit report recommendations and potential monetary benefits. Prepare the report semiannually with reporting periods of 1 April through 30 September and 1 October through 31 March.

A4.1.1. SAF/FMPF consolidates all input into an overall Air Force report.

A4.2. Part I. Status of Management Action on Installation-Level Reports:

A4.2.1. Action in Progress--Beginning of Period. Enter the total installation-level audit reports on which management action remains incomplete (recommendations not fully implemented) as of 1 April or 1 October of each year. Reports remain open until management fully implements all recommendations and documents the monetary benefits actually realized.

A4.2.2. Issued During Period. Enter the total number of installation-level reports, including those with quantifiable auditor estimated monetary benefits, issued during the reporting period. Include only final audit reports and "clear" reports (reports without any findings or recommendations). Coordinate and reconcile the number of issued audit reports and the amount of auditor-estimated monetary benefits with the local AFAA Office Chief or representative.

A4.2.3. Action Completed--During Period. Enter the total number of installation-level reports on which management implemented all recommendations during the 6-month reporting period. Include completed actions on audit reports issued either within the current 6-month reporting period or carried forward from an earlier period. List and close out "Clear" reports during the period they are issued. Reports remain open until management implements and documents all recommendations.

A4.2.3.1. Enter figures in the "Monetary Benefits" column only after cognizant managers have completed and confirmed the corrective actions and documented the benefits actually realized. Include references to official budget or accounting data or, if the data isn't available, an updated estimate and a rationale for the estimate. A report and recommendation with estimated monetary benefits specifically accepted by management remains open until management has documented the monetary benefit actually realized, even if management has implemented the recommendation.

A4.2.4. Action in Progress--End of Period. Enter the total number of installation-level reports on which management actions remain incomplete (recommendations not fully implemented) as of 31 March or 30 September of each year.

A4.3. Part II, Installation-Level Reports With Nonconcurrences Over 6 Months Old. Update all installation-level audit reports with unresolved nonconcurrences over 6 months old (issued during the prior reporting period that remain unresolved at the end of the current reporting period). Nonconcurrences may involve findings, recommendations, or the auditors' potential monetary benefit estimates.

A4.4. Part III, Status of Installation-Level Audit Reports Over 18 Months Old (From Date of Issue) With Final Action Pending. List the key data for Air Force-level audit reports with decided

issues that management hasn't fully implemented 18 months after the date of the report. Identify one of these reasons why each action remains incomplete:

- Long-term corrective action on schedule.
- Management action slipped significantly from originally estimated completion date.
- Formal administrative or judicial appeal.

A4.4.1. Consider any report that has incomplete recommendations to be "open" for this analysis. If recommendations in a single report have more than one explanation for the incomplete actions, include each explanation.

A4.5. Part IV, Listing of Reports With Documented and Realized Monetary Benefits During the Reporting Period. Give a detailed list (breakdown) of reports with PMB realized during the period. The total realized PMB must agree with the amount reported in part I. Each focal point must retain all supporting documentation as part of the official followup file.